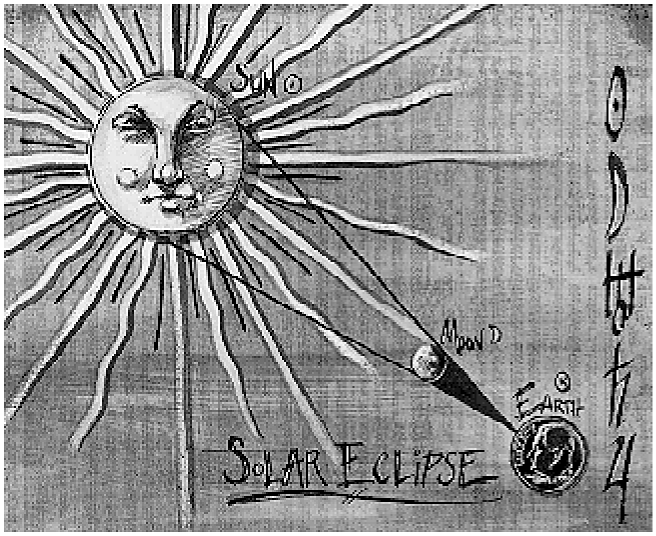
Trading Planetary Eclipses

by Hans Hannula, Ph.D., C.T.A.



Stock market lore has long been filled with claims that planetary motion affects stock and commodity prices. As most market students who pursue this topic find out, however, many rules and explanations of what causes tops and bottoms in markets contradict each other about which planets are important and what could cause these effects. There are relationships, but they differ from what one might find in the literature of financial astrology. Hans Hannula explains.

In financial astrology, the angles formed between two planets as viewed from the Earth have either bullish or bearish implications for the market. In astrological jargon, these angles are called aspects. The angles are measured from a line drawn from the Earth to the sun. When a planet is aligned with the sun, it is said to be in geocentric (Earth-based) conjunction, or at zero degrees. If the planet is between the Earth and the sun, it is called an "inferior" conjunction. When a planet is positioned so that the Earth is directly between it and the sun, it is said to be in geocentric opposition, or at 180 degrees. Similarly, if the planet is at 90 degrees to the Earth-sun line, the planets are said to be square. Squares are supposedly bearish. Conjunctions and oppositions are supposedly positive.

But this interpretation is not universally accepted. David Williams, author of *Financial Astrology*, uses an aspect-scoring system in which he attributes bullish or bearish influences to each aspect according to which two planets are involved. For example, he considers the conjunction of Mercury and Earth positive, but that of Mars and Earth negative. Even with this difficulty, however, financial astrologers have used aspect rule-based systems to predict stock movements with enough success that they are still widely followed.

Personal computers have spawned renewed interest in using this approach for trading. First, compute the time of each aspect between each pair of planets and measure the change in market price some time later. If prices are up or down over some threshold, say 70% of the cases, record the aspect as bullish or bearish. If it is under the threshold, consider it insignificant. This gives a scoring table for the aspects.

Second, on some periodic basis, such as daily, weekly, monthly, seasonal, or full moon, compute the aspects. If a majority is bullish, expect prices to rise. If a majority is bearish, expect prices to fall.

> **My theory is that as planets move around the sun, they cause tidal forces, affecting the energy given off by the sun in the form of radiation, solar flares and so on. This energy then flows toward the Earth, where it in turn affects our electromagnetic field.**

Many variations on this financial astrology theme are possible. The aspects can be weighted, assigning positive and negative numbers, using something like the average percentage movement for the value. Williams does so in his "solar ingress method," in which he computes, scores and totals the aspects at the start of each season, using his own weighting and aspect scoring tables.

Do such systems really work? After checking out many such systems, I can say that they may catch the timing of turns but not necessarily the direction. A daily plot of the William index can be seen in Figure 1 versus the Standard & Poor's 500. To make this computation:

1 Look in an ephemeris to find the geocentric positions of the planets.

2 Compute the aspect between each pair of planets and the moon.

3 For each aspect within three degrees of one of the angles 0, 60, 90, 120 or 180 degrees, assign an aspect score as follows:

0 degrees: +10 for all planetary pairs, except use -10 for any aspect involving Saturn or Mars, and the pairs Moon/Uranus, Sun/Neptune, Uranus/ Neptune, and any planet with Pluto *except* Venus/ Pluto.

60 degrees: +4

90 degrees: -4

120 degrees: +6

180 degrees: -8

4 Add each day's aspect total to a running index. A negative score is effectively a subtraction and a positive score is an addition.

There are times when the Williams index moves in the same direction as price and times when it moves opposite (Figure 1). For example, the Williams index moved opposite the market from July until October 1990, but it moved with the market from July to September 1991, when it gave excellent results. In addition, turns in this indicator do have some correlation with market turns.

A CLOSER LOOK

While this sort of study looked promising, I decided to study a smaller piece of the problem. Since I examined solar eclipses in the December 1991 STOCKS & COMMODITIES and developed a theory of how they work on the markets, I decided to study the actions of Mercury and Venus. Essentially, my theory is

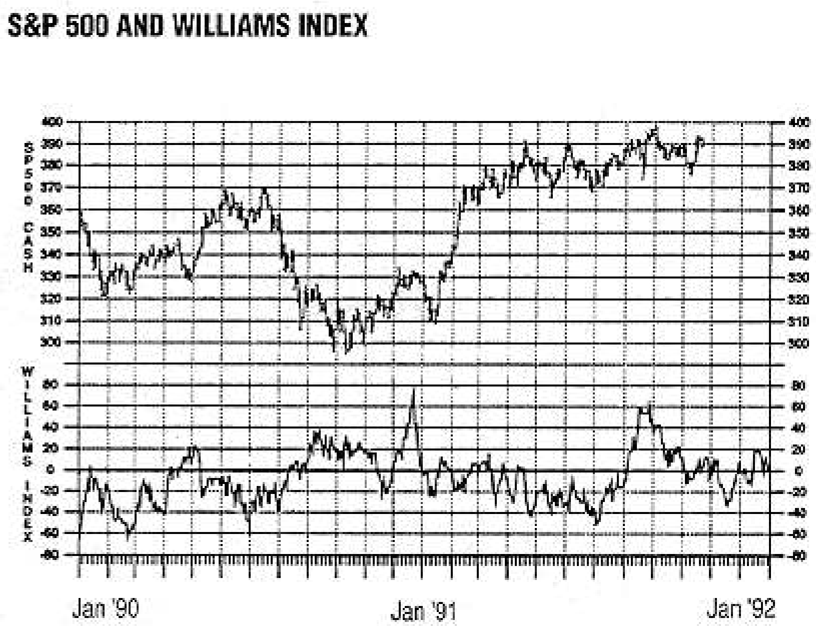


FIGURE 1: *The Williams index scores and totals the aspects of the planets and plots the value as a running sum. This index may catch the timing of a turn but not necessarily the direction.*

that as planets move around the sun, they cause tidal forces that swirl the gases, affecting the energy given off by the sun in the form of radiation, solar flares, mass ejections and so on. This energy then flows toward the Earth, where it in turn affects our electromagnetic field. Evidence suggests these changes in the electromagnetic field affect human physiology and psychology. These effects then show up in trading.

Using this model of cause and effect, I related solar and lunar eclipses to market action. That study showed a significant effect due to solar eclipses, with the effects due to the moon interrupting the energy flow between the sun and the Earth. I reasoned that Mercury and Venus could also interrupt this energy flow. They both revolve between the Earth and the sun and potentially disrupt the flow of energy as the solar wind carries it from the sun to the Earth. Theoretically, these planetary "eclipses" would be natural cycles that would be very easy to explain. It seemed worth investigating.

Figures 2 and 3 shows a study with the effects of these two planetary eclipses on IBM. In a statistical study of these events, in which I examined the correlation of these points to IBM's highs and lows in a given period, I found that 77% of the time the Mercury eclipse marked a significant market high or low, while Venus did the same 83% of the time. In order to see how planetary eclipses may be used in trading, try these steps:

1 Find the time of occurrence of the natural phenomenon. These particular geocentric inferior conjunctions will be found in *The Farmer's Almanac* and the *Astronomical Almanac*, and on certain calendars such as the "Wonders of the Universe" calendar.

2 Mark these points on your chart with dots, placed above for a high and below for a low.

3 Look for possible inversions one-half and one-third the way between the dots. Mark these with the letter I.

4 Sketch the cycle with a dotted line.

> **During the attempted coup in the USSR, stock prices dropped and then rebounded as the coup attempt was aborted. Traders who were aware of the planetary eclipse during the attempted coup were able to anticipate price volatility during the event.**

In Figure 2, IBM appears to have a good correlation with the Venus eclipses. Recently, it has been making lows near these dates and highs midway between them. In Figure 3, IBM also appears to correlate with the Mercury eclipses, but not as well. Traders who wish to apply this to their own trading should complement it with other techniques, using cycle work to identify when a trend change could take place and using other techniques, such as trendlines, to identify entry and exit positions.

WORKING IN UNISON

Recent events gives an excellent example of these two cycles working together. On August 21, 1991, Mercury and Venus came between the Earth and the sun on the same day. Figure 4 shows what happened

IBM AND VENUS INFERIOR CONJUNCTIONS

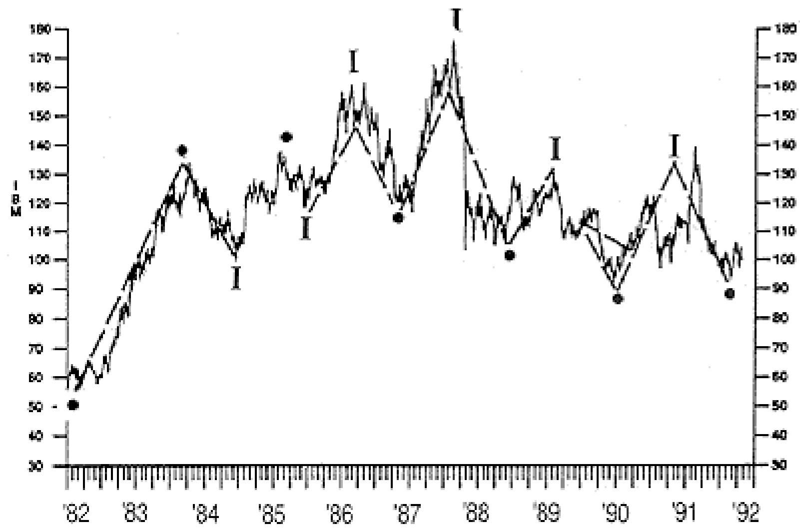


FIGURE 2: *IBM is plotted along with the times of the planetary eclipses occurring due to Venus moving between the Earth and the sun. The dots represent the time of the eclipse and the Is represent the 1/3 to 1/2 time period between the eclipses. Figures 2 and 3 are drawn using the basic approach given in "Trading the seasonal cycle."*

IBM AND MERCURY INFERIOR CONJUNCTIONS

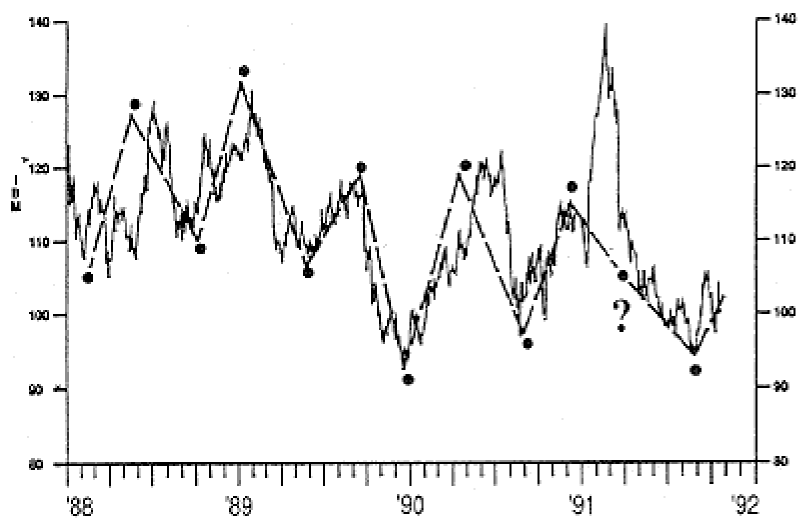


FIGURE 3: *IBM is plotted with the times of the planetary eclipses occuring due to Mercury moving between the Earth and the sun. The dots represent the time of the eclipse.*

ASTROPHYSICS OF THE DOUBLE PLANETARY ECLIPSE

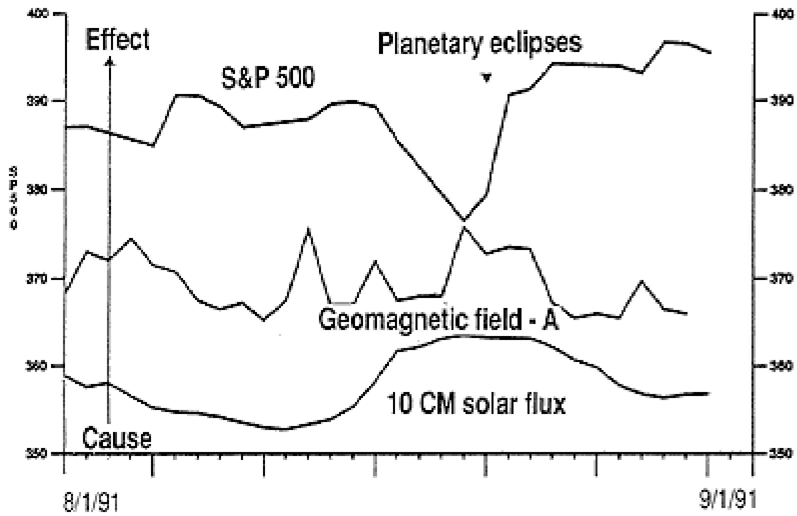


FIGURE 4: *On August 21, Mercury and Venus came between the Earth and the sun. The energy from the sun, measured by the 10-centimeter solar flux, increased sharply.*

TRACKING THE DOUBLE ECLIPSE WITH FIVE-DAY STOCHASTICS

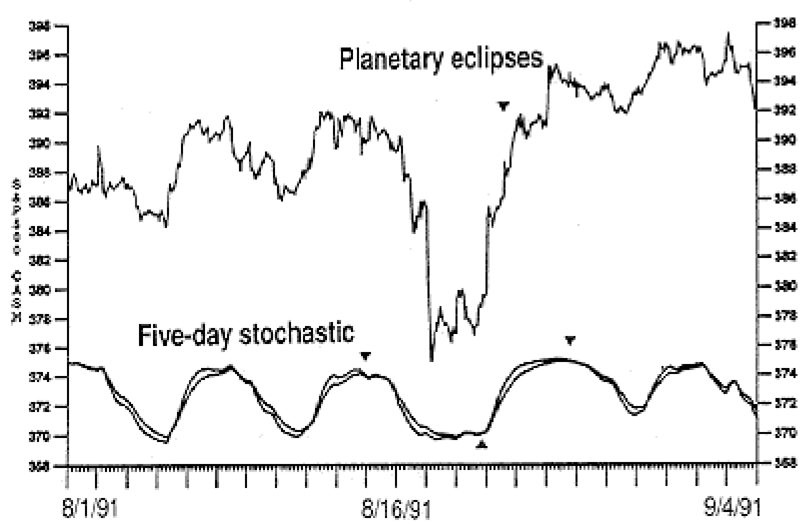


FIGURE 5: *During volatile time periods, trading can be timed with the five-day scholastics indicator. This indicator indicated a sell on August 14, a buy on August 21 and a sell on August 23.*

physically. The energy from the sun, measured here by the 10-centimeter solar flux, increased sharply. As Mercury and Venus passed between the Earth and sun, the geomagnetic field rose sharply, then fell. It was during this period that the attempted coup in what was then the Soviet Union occurred. As everyone who tried to trade during the attempted coup found out, stock prices dropped sharply and then rebounded as the situation stabilized and the coup attempt was aborted. Traders who were aware of the planetary eclipse were able to anticipate price volatility during this event.

It was even possible to use one of several standard technical indicators to successfully trade both sides of this double planetary eclipse. One of the indicators I use for short-term trading is a five-day stochastic with 15-minute intraday data, which I have found useful for trading eclipse events (Figure 5). This system gave a sell on August 14, a buy on August 21 and a sell on August 23—pertinent periods during the entire affair.

CYCLES IN COMBINATIONS

Careful study of natural cycles, of which there are many, can identify possible turning points in a stock or commodity. Traders who are aware of these cycles can profitably use them as aids in their trading. Like the solar eclipses, the planetary "eclipses" by Mercury and Venus have been shown to be important physical events for traders to be occurred. As everyone who tried to trade during the attempted aware of. But natural cycles should not be used in isolation; they work best when complemented by standard technical analysis and good money management procedures. Used in combination, these tools can increase one's batting average in trading.

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